

ARTICLE APPEARED
ON PAGE 2-AWASHINGTON TIMES
27 March 1987

Gorbachev faces an uphill battle for economic reform, study finds

J By Bill Gertz
THE WASHINGTON TIMES

Soviet leader Mikhail Gorbachev's "risky" economic reform program faces an uphill battle and is based on technological advances to sustain long-term economic growth, according to a joint CIA-Defense Intelligence Agency study released yesterday.

The report, released by Congress' Joint Economic Committee, also states Mr. Gorbachev's domestic reforms will not be made by sacrificing guns for butter.

"Analysis of Soviet requirements and programs under way indicate that the Soviets will maintain their historic level of weapons development — about 150-200 major new and modernized systems — into the 1990s," the report states.

"Even if economic growth has not picked up, Gorbachev would be unlikely to push modernization to the point whereby key military requirements would not be met."

Reflecting trends shown earlier this week in the Pentagon's assessment of Soviet military power, the study concluded that even with mi-

nor growth in military procurement in the next few years, "the absolute magnitude will remain high enough to permit substantial upgrades of Soviet strategic and conventional forces."

While Soviet economic growth reached 4.2 percent last year, the first full year of Mr. Gorbachev's rule, growth through 1990 will "fall well short" of projections of a 4 percent annual rate, and 5 percent annual growth the following decade "appears to be out of reach," according to the study.

Mr. Gorbachev has focused economic reforms on "human factors," such as improving worker productivity, reducing the number of bureaucrats and battling corruption and alcoholism, the report said.

In the long term, however, the Gorbachev economic program is based heavily on modernizing industry with high-technology equipment, the study states.

"He has repeatedly said that the U.S.S.R. must replicate the ongoing Western technological revolution in which advanced machine tools, robots, microelectronics devices, computers and telecommunication systems are making operations more flexible, thereby raising quality and cutting costs," the intelligence report states.

Yet the recent "precipitous drop" in Soviet hard currency earnings, due to the drop in world oil prices, is expected to fall further in the next few years thus making it more difficult for the Soviets to buy advanced equipment, the study found.

"Regardless of the trends in Soviet hard currency earnings, we expect Moscow to continue its massive efforts to steal Western technology," the report says. "Indeed, this probably will be even more the case in the future."

The intelligence report says Mr. Gorbachev, in the short term, will gain politically from any modest improvements in the economy that he can call a success.

"Over the long term, how Gorbachev fares politically is much more open to question," the analysis concludes. "But the course Gorbachev is pursuing is inherently risky and things could just as easily go wrong."

The report states that Mr. Gorbachev's repeated attacks on those who favor slowing the modernization

process indicate the Soviet leader "is by no means confident of the future."

It says economic reform and resource allocation decisions will be controversial and may support opposing factions of the Communist Party and government.

"The first significant resistance to specific policies, although not overall goals, surfaced [in 1986] in both the massive government and party bureaucracy, particularly among enterprise managers who complained that they were being asked to carry out conflicting goals — such as to raise quality standards and output targets simultaneously," the report says.

Harvard University Russian expert Richard Pipes agrees that Mr. Gorbachev's economic plans are politically risky, although he believes attacks on those opposing reform are a standard Soviet political tactic that do not represent weakness.

Mr. Pipes, a former National Security Council staff member, said Mr. Gorbachev's reform program is doomed to failure unless political changes are made in the Soviet Marxist-Leninist system.

"As the Chinese have said, you cannot carry out economic reforms without political reforms," he said. "The whole political atmosphere has to change. You have to give people a stake in the system."